Top 100 Commerical Banks In Servicing of Permanent Mortgages(a)

Servicing Rank 6/30/83		Mtgs. Serviced for Investors (b) Total Dollar Volume 6/30/83	No. of Mortgages 6/30/83	No. of Investors 6/30/83 (Excluding GNMA Pools)	GNMA Pools	Servicing Rank 6/30/82	Gain in Rank	Total Mtges. Serviced (c) in Dollars 6/30/83	Mges. Owned By Bank in Dollars 6/30/83
1	Bank of America NT & SA, San Francisco	2,210,000,000	52,714	227	47	2	+ 1	16,646,000,000	14,436,000,000
2	Hibernia Bank, San Francisco	1,168,596,011	27,246	46	164	4	+ 2	1,397,147,798	228,551,787
3	Union National Bank of Little Rock, Ark	974,000,000	42,765	250	222	3		1,084,000,000	110,000,000
4	Security Pacific National Bank, Los Angeles	732,469,077	20,909	97	44	5	+ 1	5,010,527,321	4,300,391,764
5	National Bank of Alaska, Anchorage	686,402,249	8,479	72	2	6	+ 1	752,433,775	66,031,526
6	First National Bank, Anchorage, Alas	665,132,567	9,531	23	0	9	+ 3	725,838,114	40,120,417
7	Citizens Fidelity B & T Co., Louisville, Ky. (d)	630,000,000	16,000	72	93	12	+ 5	717,000,000	87,000,000
8	Bank of Hawaii, Honolulu	614,120,554	13,837	94	11	7		940,506,528	306,870,971
9	Union Planters National Bank, Memphis, Tenn	604,465,035	19,247	140	119	14	+ 5	561,445,542	43,019,493
10	First Tennessee Bank NA, Memphis	576,959,701	15,376	53	107	11	+ 1	635,582,757	58,623,056
11	Continental Bank, Phoenix, Ariz	540,123,075	12,737	45	26	10		598,821,841	58,698,766
12	Continental Illinois National B & T Co., Chicago	458,994,889	9,364	50	84	13	+ 1	1,415,977,094	956,982,205
13	Equibank, Pittsburgh	366,518,870	11,995	128	1	51	+38	564,500,665	215,019,401
14	California First Bank, San Francisco	347,048,130	7,212	66	34	15		1,043,591,556	696,543,426
15	National State Bank, Elizabeth, N.J	339,819,212	11,013	44	140	19	+ 4	517,155,111	178,391,901
16	First Hawaiian Bank, Honolulu	331,910,258	7,109	107	0	16		905,068,039	573,157,781
17	First Interstate Bank of Washington NA, Seattle	330,657,385	9,535	70	117	23	+ 6	891,480,537	560,823,152
18	Old Stone Bank, Providence, R.I	322,306,641	8,385	10	0	27	+ 9	662,687,146	340,380,505
19	RepublicBank Lubbock, Tex	300,975,020	8,486	89	76	22	+ 3	323,001,593	22,026,573
20	First Interstate Bank of Oregon NA, Portland	299,825,388	9,669	58	86	20		1,170,938,323	871,044,977
21	Century Bank, Phoenix, Ariz	291,778,170	8,389	22	1	17		326,508,877	34,730,707
22	Idaho First National Bank, Boise	289,277,315	9,945	92	53	21		554,917,361	265,640,046
23	First National Bank, St. Paul, Minn	278,730,652	6,247	82	85	24	+ 1	387,671,214	113,220,489
24	South Carolina National Bank, Columbia	269,029,000	6,582	80	53	28	+ 4	361,031,000	83,102,000
25	Fleet National Bank, Providence, R.I	256,034,938	8,504	12	0	33	+ 8	417,411,330	161,376,392
26	Central Bank, Oakland, Calif	241,001,000	6,882	77	19	26		405,048,000	164,047,000
27	Commerce Union Bank, Nashville, Tenn	231,326,580	4,687	78	5	54	+27	270,957,897	39,631,317
28	Alaska Statebank, Anchorage	230,181,922	2,789	17	0	34	+ 6	271,179,086	24,802,414
29	Western Bank, Sioux Falls, S.D	222,267,009	6,288	37	0	31	+ 2	249,435,954	27,168,946
30	Marine Midland Bank NA, Buffalo, N.Y	217,555,995	781	65	0	29		1,201,050,549	983,496,554
31	Manufacturers National Bank, Detroit	214,200,000	5,307	44	0	48	+17	1,066,300,000	852,100,000
32	Comerica Bank-Detroit	203,647,701	5,311	11	0	72	+40	786,980,389	583,332,688
33	First Interstate Bank of Alaska, Anchorage(i)	196,542,226	1,965	46	0	46	+13	227,320,821	30,778,595
34	Banco Popular de Puerto Rico, San Juan	190,724,900	15,937	132	1	36	+ 2	441,508,800	250,783,900
35	Georgia Railroad Bank & Trust Co., Augusta	190,372,077	8,468	48	62	30		210,447,487	20,075,410
36	First National Bank, Louisville, Ky	187,996,669	4,190	57	1	38	+ 2	313,010,654	125,033,983
37	United States National Bank, Portland, Ore	184,856,345	4,277	44	6	35		746,895,058	562,038,713
38	Lloyds Bank of California, Los Angeles	184,372,898	3,065	18	5	...		428,967,932	244,595,034
39	Simmons First National Bank, Pine Bluff, Ark	183,013,853	3,617	144	76	61	+22	232,734,933	49,703,080
40	Commercial Security Bank, Ogden, Utah	177,423,092	6,005	36	24	37		240,912,766	59,288,233
41	Michigan National Bank, Lansing	173,383,824	9,040	110	0	47	+ 6	389,590,824	216,207,000
42	Fidelity National Bank, Baton Rouge, La	173,111,000	6,077	54	5	52	+10	218,532,000	45,421,000
43	First National Bank, Cincinnati	171,514,575	4,108	33	39	39		322,595,867	151,081,292
44	Alaska National Bank of the North, Fairbanks	171,484,596	2,356	33	0	43		209,572,269	31,086,927
45	United Bank Alaska, Anchorage	169,625,577	1,793	0	0	58	+13	199,599,560	29,973,983
46	Equitable Bank NA, Baltimore	164,319,302	3,770	38	0	80	+34	637,863,226	473,643,924
47	First Interstate Bank of Hawaii, Honolulu (e)	149,743,177	3,727	41	0	42		258,880,986	109,137,809
48	Landmark First National Bank, Fort Lauderdale, Fla	149,564,966	8,240	60	3	41		221,696,293	75,015,586
49	Nevada National Bank, Reno	148,730,000	2,441	44	0	53	+ 4	246,630,000	97,900,000
50	Connecticut National Bank, Hartford (f)	147,200,000	2,659	76	0	55	+ 5	541,300,000	394,100,000
51	Central Bank of Denver	140,136,268	4,871	59	0	45		174,774,018	33,771,325
52	Connecticut Bank & Trust Co. NA, Hartford (g)	139,645,994	2,980	70	0	69	+17	575,809,205	433,708,211
53	First Wyoming Bank NA-Cheyenne	138,369,468	3,284	43	1	57	+ 4	147,007,942	8,638,474
54	Lincoln First Bank NA, Rochester, N.Y	135,417,564	3,831	20	0	56	+ 2	653,675,451	518,257,887
55	Seattle Trust & Savings Bank, Wash	133,361,100	4,631	28	6	79	+24	197,200,200	2,286,000
56	First Interstate Bank of Arizona NA, Phoenix	125,897,990	858	53	20	44		685,633,756	559,735,765
57	First Wisconsin National Bank, Milwaukee	124,052,185	3,960	150	5	68	+11	319,329,532	303,332,575
58	North American Bank & Trust Co., Waterbury, Conn	122,362,404	3,361	7	8	...		143,138,779	20,776,348
59	Valley Fidelity Bank & Trust Co., Knoxville, Tenn	121,662,298	4,854	33	45	60	+ 1	138,012,255	15,691,898
60	Exchange National Bank, Colorado Springs, Colo	120,103,690	3,689	52	15	50		125,963,517	5,859,827
61	Fremont Bank, Calif	118,796,249	2,353	14	0	65	+ 4	178,456,545	59,660,296
62	First Interstate Bank of Casper NA, Wyo	118,633,287	3,123	36	1	66	+ 4	144,611,053	25,977,766
63	American National Bank & Trust Co., Kalamazoo, Mich	110,012,059	2,427	31	0	59		171,952,461	61,940,402
64	Fourth National Bank & Trust Co., Witchita, Kan	110,000,000	2,143	58	0	64		166,000,000	56,000,000
65	People Bank & Trust, Anchorage, Alas	108,969,842	1,329	14	0	71	+ 6	119,108,716	7,429,985
66	Louisiana National Bank, Baton Rouge	107,707,120	2,151	31	0	78	+12	170,904,317	63,197,197
67	Branch Banking & Trust Co., Wilson, N.C	104,849,118	2,256	33	2	83	+16	143,377,896	38,528,778
68	Michigan National Bank, Detroit	101,000,000	5,165	36	0	82	+14	436,000,000	317,000,000
69	First National Bank of Maryland, Baltimore	100,430,498	2,096	30	2	86	+17	329,437,874	229,007,376
70	Wyoming National Bank, Casper	95,022,135	1,961	16	0	77	+ 7	112,000,000	17,000,000
71	Colonial Bank, Waterbury, Conn	95,000,000	2,000	0	0	93	+22	475,000,000	360,000,000
72	Albuquerque National Bank, N.M	94,754,532	4,924	17	14	67		214,329,825	119,575,293
73	American Security Bank NA, Washington, D.C	94,654,304	2,307	28	3	63		289,325,620	194,671,316
74	First National State Bank of New Jersey, Newark	92,500,000	1,764	15	0	...		160,000,000	67,500,000
75	Citizens Commercial & Savings Bank, Flint, Mich	91,639,908	5,300	18	15	76	+ 1	368,812,161	298,348,796
76	Hawaii National Bank, Honolulu	90,921,193	2,807	0	0	70		128,955,463	38,034,270
77	Union Bank, Los Angeles	90,000,000	2,700	24	0	73		600,000,000	510,000,000
78	Security Bank NA, Billings, Mont	85,093,830	2,522	51	2	85	+ 7	126,787,149	40,863,318
79	Union Trust Co., Stamford, Conn	79,472,120	2,121	53	0	62		428,589,304	349,117,184
80	Central National Bank, Cleveland	78,714,563	4,081	49	0	88	+ 8	274,970,151	193,393,841
81	Broadway National Bank, San Antonio, Tex	73,750,000	2,671	34	28	81		109,250,000	35,500,000
82	Norwest Bank Des Moines NA, Iowa (h)	70,809,822	1,691	37	0	99	+17	177,910,608	107,100,787
83	First Bank of South Dakota NA, Sioux Falls	68,751,000	2,265	44	0	84	+ 1	152,028,000	83,277,000
84	First Interstate Bank of Nevada NA, Reno	60,998,740	3,050	28	6	87	+ 3	395,425,858	334,327,118
85	Alameda First National Bank, Calif	60,406,413	1,257	3	0	90	+ 5	81,653,516	24,953,589
86	Idaho Bank & Trust Co., Pocatello	59,099,621	1,990	30	0	92	+ 6	124,169,037	65,069,416
87	Central Pacific Bank, Honolulu	55,750,000	870	13	0	113	+26	186,985,000	132,235,000
88	First Pennsylvania Bank NA, Philadelphia	55,653,607	1,777	86	0	94	+ 6	425,430,008	369,466,572
89	First National Bank, Omaha, Neb	54,120,000	2,004	26	3	100	+11	103,620,000	49,500,000
90	Pacific Western Bank, Milwaukie, Ore	53,203,000	1,252	32	0	101	+11	158,768,750	105,565,750
91	Old National Bank, Evansville, Ind	50,545,315	2,111	66	1	91		132,507,696	81,962,380
92	Maryland National Bank, Baltimore	50,211,343	1,420	17	2	111	+19	460,543,628	410,300,428
93	Bank of Contra Costa, Walnut Creek, Cal	48,372,237	1,175	8	0	...		58,430,307	10,058,070
94	National Bank of Commerce & Savings Assn., Lincoln, Neb	45,770,284	1,146	0	0	103	+ 9	77,783,019	32,012,735
95	Capital Bank & Trust Co., Baton Rouge, La	44,064,235	1,022	0	0	110	+15	61,540,320	15,376,112
96	First National Bank, Albuquerque, N.M	44,005,911	1,564	9	0	102	+ 6	108,208,933	64,203,022
97	Central Trust Co. NA, Cincinnati	40,831,094	2,209	25	0	109	+12	229,757,265	189,926,171
98	Kanawha Valley Bank NA, Charleston, W. Va	40,269,407	1,752	17	0	105	+ 7	84,019,074	41,866,613
99	Manufacturers Hanover Trust Co., New York	40,210,791	174	21	0	104	+ 5	1,042,697,480	1,002,486,689
100	First Interstate Bank of Englewood, Colo	38,953,000	1,126	18	0	108	+ 8	62,165,000	23,212,000

(a)—Data for individual banks exclude subsidiary mortgage companies which have their own legal identity. (b)—Excludes mortgages serviced by the bank for all accounts of its trust department. (c)—All permanent mortgages serviced by the bank for itself, for all accounts of its trust department, and for others. (d)—Servicing by Citizens Fidelity Mortgage Co., a division of the bank. (e)—Formerly American Security Bank. (f)—Formerly Hartford National Bank & Trust Co. (g)—Formerly Connecticut Bank & Trust Co. (h)—Formerly Iowa-Des Moines National Bank.

Northern Trust Acquires Hickey, Discount Broker

By JOHN MORRIS

CHICAGO — Banks have strengthened their grip on the discount brokerage industry with Northern Trust Corp.'s acquisition of Jerome Hickey Associates Inc. here.

The parent of Chicago's fourth largest bank, Northern Trust Co., said Monday it had agreed to buy the Hickey brokerage firm for an undisclosed sum.

Hickey will become a subsidiary of the bank holding company, and will operate as an independent unit.

Jerome Hickey Associates is one of the larger Chicago-based discount brokers, with "just under 10,000 accounts," said its president, Jerome Hickey. He declined to give any other figures "for competitive reasons."

Northern Trust will thus become the first Chicago bank holding company to enter the discount brokerage business by purchasing an already-established firm rather than forming a new subsidiary or entering a licensing agreement. It was attracted to Hickey because both the bank and the brokerage were chasing the same type of clientele in the same areas.

Said Mr. Hickey, who started his firm in 1979: "We have promoted ourselves through selective direct mailing campaigns to the upscale customer; the business executive, and professional type. We were promoting ourselves to the same clientele, it seems, as Northern Trust."

Among other attractions for Northern Trust was Hickey's branch in Scottsdale, Ariz., where the bank has a large trust office. In addition, Hickey was thinking of expanding into Florida — where Northern Trust has extensive operations.

Neither Northern Trust nor Mr. Hickey have yet decided what presence the discount broker will have in the bank, but it will not include order-taking, Mr. Hickey said.

"We have a very professional order-entry desk in our office, and it does not make sense to introduce one or two more steps into the process," he said. The Northern Trust customer, then, will probably have to place his discount stock order by telephone.

1983 Failures

1. The Madison County Bank, Fredericktown, Mo. Closed on Jan. 21, 1983. Deposits of $6.9 million. Assumed by Madison Exchange Bank, Fredericktown, a newly-chartered bank.

2. Drydock Savings Bank, New York, N.Y. Merged on Feb. 9, 1983, with FDIC assistance of $32 million, into the Dollar Savings Bank of New York, N.Y. Drydock Savings Bank had assets of approximately $2.5 billion.

3. State Bank of Barnum, Barnum, Minn. Closed on Feb. 9, 1983. Deposits of $13 million. Payoff.

4. United American Bank, Knoxville, Tenn. Closed on Feb. 14, 1983. Deposits of $794 million. Assumed by First Tennessee Bank, Knoxville.

5. American State Bank, Bradley, Ill. Closed on Feb. 12, 1983. Deposits of $12.2 million. Assumed by Midwest Trust and Savings Bank of Bradley, Bradley, a newly-chartered state nonmember bank.

6. The Merchants & Farmers State Bank, Blythe, Calif. Closed on Feb. 18, 1983. Deposits of $5.5 million. Assumed by Credit Bank, Blythe, a newly-chartered state bank.

7. American City Bank, Los Angeles,

➤ 1983 Failures: Page 47

Chase . . .

Continued from page 2

dividend requirements on floating-rate preferred stock issued in the second quarter of 1982.

It also reflects the issuance of common shares related to a dividend reinvestment plan and through conversion of convertible capital notes and subordinated debentures.

At Sept. 30, there were 34.5 million outstanding shares of common stock, compared with 33.7 million at the same time last year.

Chase attributed the quarterly decline to a lower level of nonfee-based income and increased other operating expenses.

On a taxable-equivalent basis, net interest income — the difference between interest income and interest income — rose to $606 million from $577 million in the third quarter of 1982.

The gain was attributed to an improved net interest margin, which is defined as net interest income as a percentage of average earnings assets and which is used as to gauge the profitability of a bank's lending and funding activities.

Chase's net interest margin expanded to 3.63% from 3.38% last year.

Other operating expenses — which include such items as salaries, employee benefits, and equipment rentals — totaled $515 million in the third quarter, up from $463 million in the previous quarter.

Other operating income — which comprises fees, foreign exchange trading income, trading account profits, and other items — totaled $203.6 million. This was up from $200.1 million in the 1982 quarter.

The provision for possible credit losses declined to $70 million in the third quarter from $75 million last year. It was up for the nine-month period, though, from $185 million to $210 million.

Net chargeoffs totaled $64 million in the quarter, down from $68 million last year. For the year to date, net chargeoffs were $193 million, compared with $177 million last year.

The nine-month chargeoffs include $28 million related to the portfolio of loans acquired from the failed Penn Square Bank NA of Oklahoma City.

Nonperforming loans — generally those on which a bank is receiving little or no interest — continued to have a negative impact on Chase's earnings but less so than in the third quarter of 1982.

At Sept. 30, nonperforming loans totaled $1.9 billion, compared with $1.2 billion at the same time last year. The negative impact on earnings this quarter was $13 million after taxes, compared with $22 million last year.

Quarterly net income was reduced by $6 million related to nonperforming loans to borrowers in Brazil and Venezuela. At Sept. 30, $42 million in Brazilian loans and $107 million in Venezuelan loans were classified as nonperforming.

In addition, Chase said $224 million in Mexican loans and $135 million in Argentine loans were classified as nonperforming.

Profitability declined at Chase in the third quarter. On an annualized basis, the corporation earned 54 cents for every $100 of average assets and $13 for every $100 of stockholders' equity. This compared with respective asset and equity returns of 62 cents and $16.20 in last year's third quarter.

In computing the profitability ratios, Chase excluded the special loss related to Drysdale.

Primary capital as a percentage of total assets — a gauge of capital adequacy — was 5.06%, up from 4.75% at the same time last year.

At Sept. 30, assets totaled $77.1 billion and deposits $55.2 billion. ■

Bank of Boston Earnings Off 7.6%

By BART FRAUST

NEW YORK — Earnings at Bank of Boston Corp. declined 7.6% in the third quarter.

Net income totaled $32.8 million, compared with $35.5 million in the third quarter of 1982.

Earnings also were down on a per-share basis, to $1.79 from $1.95 last year.

However, net income was up 17.5% for the nine months, to $101.1 million from $86 million last year.

On a per-share basis, Bank of Boston earned $5.54 in the nine months, compared with $4.56 in the corresponding period last year.

Bank of Boston is the nation's 18th largest banking company.

During the quarter, it agreed to acquire Colonial Bancorp Inc. of Waterbury, Conn.

However, its purchase of Casco-Northern Corp. of Portland, Me., was cast into doubt when Maine's attorney general ruled that the transaction would be illegal under that state's law. Subsequently, Maine's banking commissioner agreed to hear arguments from Bank of Boston on why the merger was legal.

Rise in Operating Expenses

William L. Brown, chairman of Bank of Boston, said increases in operating expenses were responsible for the quarterly decline in earnings.

He added that the gain for the nine months was fueled by higher net interest income and other operating revenues.

Net interest income, on a taxable-equivalent basis, totaled $169.6 million in the quarter, compared with $161.3 million a year ago. Net interest income is the difference between interest income and interest expense.

Other operating income was up 5% in the quarter and 19% for the nine months, to $65 million and $191 million, respectively.

Bank of Boston attributed the rise to gains in investment portfolio transactions, service charges, and trust and agency fees.

The acquisition of Stockton, Whatley, Davin & Co., a Jacksonville, Fla., mortgage banking firm, contributed about $5 million in service fees.

The acquisition — and the higher employee and general business costs entailed — also was a major factor in a 12% quarterly rise in other operating expenses.

Trading account profits and commissions declined to $3.6 million from $7.8 million last year.

The provision for credit losses was $13.5 million, up from $12 million in the 1982 third quarter.

Net credit losses totaled $12.4 million, compared with $9.6 million last year.

Nonperforming Loans Rise

Nonperforming loans and leases — generally those on which the bank is receiving little or no interest — were up in the quarter. They totaled $312 million at Sept. 30, compared with $260 million at the same time last year.

However, nonperforming loans were down at the end of the third quarter from levels at the end of the second quarter, mainly reflecting the return on Nigerian loans to accrual status.

Profitability was down for the quarter. On an annualized basis, Bank of Boston earned 70 cents for every $100 of average assets and $13.70 for every $100 of average equity. This compared with respective returns of 81 cents and $16.70 in the third quarter of 1982.

At Sept. 30, assets totaled $18.7 billion and deposits $12.1 billion. ■

Webb Bancshares

KANSAS CITY — The Federal Reserve Bank of Kansas City has approved the application of Webb Bancshares Inc., Highland, Kan., to become a bank holding company by acquiring 100% of the voting shares of the Farmers State Bank of Highland, Highland. ■

To Our Readers

American Banker would appreciate your comments on the "Top 100 Commercial Banks in Mortgage Servicing" statistical tables in today's issue. Please answer the following questions and return the questionnaire to L. Michael Cacace, American Banker, One State Street Plaza, New York, N.Y. 10004.

Title of Table_____ **Date**_____

1a. How useful is this tabulation to you?

_____ (A) Very Useful _____ (B) Quite Useful

_____ (C) Somewhat Useful _____ (D) Not Useful

1b. Would you explain your response to Question 1a?

_____

_____

2. What do you think is **best** about this tabulation?

_____

_____

3. What do you **like least** about this tabulation?

_____

_____

4. How would you **change** this tabulation to make it more useful?

_____

_____

5. Who else in your company, by title, would find this tabulation useful?

_____

_____

Name_____ **Title**_____

Company_____ **Phone**_____

Address_____

Mortgages . . .

Continued from page 1

• Industrial Valley Bank & Trust Co., Philadelphia, the ninth largest commercial bank in servicing last year with $563 million in servicing for others, sold its mortgage servicing operations to Philadelphia Saving Fund Society on Dec. 15.

• First Security Corp., Salt Lake City, a multibank holding company, consolidated its mortgage servicing operations into its mortgage company subsidiary — First Security Realty Services, Logan, Utah — in June. Three of the corporation's commercial bank subsidiaries that ranked among the top 100 banks in the field last year transferred their servicing to the mortgage company.

These banks are: First Security Bank of Utah NA, Ogden, which ranked 18th last year with $328 million in servicing; First Security Bank of Idaho NA, Boise, which ranked 74th with $89.7 million in servicing at midyear 1982; and First Security State Bank, Salt Lake City, which ranked 97th with $55 million in servicing a year ago.

• Banco de Ponce, P.R., which ranked 25th with $263 million in servicing on June 30, 1982, sold off its servicing portfolio to an unidentified buyer; and F&M Marquette National Bank, Minneapolis, sold off its $141 million portfolio to Citicorp Homeowners Services Inc., St. Louis, in August 1982. F&M Marquette ranked 49th in last year's tabulation.

• Alaska Pacific Bank, Anchorage, which ranked 32d with $192 million in servicing for others on June 30, 1982, transferred its mortgage operations to a newly formed subsidiary this year. The new company, Alaska Pacific Mortgage Co., ranked 225th in the nation with $280 million in servicing at midyear.

• First National Bank, Minneapolis, which ranked 40th with $160 million in servicing last year, transferred its portfolio to FBS Mortgage Corp., Minneapolis, in November 1982. Both the bank and the mortgage company are subsidiaries of First Bank System Inc., a Minneapolis-based multibank holding company.

• This year, four banks surveyed for the first time ranked among the top 100 commercial banks in servicing. They are: 38th-ranked Lloyds Bank of California, Los Angeles; 58th-ranked North American Bank & Trust Co., Waterbury, Conn.; 74th-ranked First National State Bank of New Jersey, Newark; and 93d-ranked Bank of Contra Costa, Walnut Creek, Calif.

Other Survey Findings

Servicing of the top 100 banks, adjusted for the merger and acquisition activity outlined above, was up 17% over the year ended June 30. A year earlier, the top 100 posted a modest 5.5% gain in servicing.

As reported Monday in the American Banker survey of the top 300 mortgage companies, a major reason for the sharp gain was the reduction in interest rates that increased the demand for housing finance. From June 1982 to June 1983, conventional home mortgage rates dropped 304 basis points to 12.36%, and housing starts jumped up 54.2%, from 933 thousand units per year to 1.439 million units per year.

The top 100 banks serviced $22.88 billion for investors at midyear, compared with $24.46 billion for the top 100 banks a year earlier. These figures are not adjusted for merger and acquisition activity.

The top 100 banks owned mortgages totaling $38.58 billion, and their total servicing — servicing for others plus servicing for themselves and their trust department accounts — totaled $61.38 billion.

The largest gains in rank were posted by Comerica Bank-Detroit, up 40 places to 32d, and Equibank, Pittsburgh, up 38 places to 13th. Both banks cited swaps of their mortgages for Federal Home Loan Mortgage Corp. participation certificates (Freddie Mac PCs) or Federal National Mortgage Association-backed securities as reasons for the increase.

Eight of the top 100 banks increased their servicing by almost $500 million, and all eight cited Freddie Mac and FNMA swaps as reasons for their respective servicing gains.

Swaps Boosted Liquidity

As mentioned Monday, these swap agreements allow banks to boost their liquidity by selling low-yielding mortgages to Freddie Mac (or FNMA) and then buying them back in the form of PCs (FNMA-backed securities).

As mentioned above, Bank of America is the top bank in mortgage servicing.

Hibernia Bank, another San Francisco-based bank, is now the second largest commercial bank in mortgages serviced for investors, with $1.17 billion at midyear, up from $786 million a year earlier, when it ranked fourth.

Union National Bank of Little Rock, Ark., remains in third position with $974 million.

Security Pacific National Bank, Los Angeles, was fourth with $732 million, and National Bank of Alaska, Anchorage, was fifth with $686 million.

There were three newcomers to the ranks of the top 10: Citizens Fidelity Bank & Trust Co., Louisville, Ky., whose servicing is done by Citizens Fidelity Mortgage Co., a division of the bank, moved up five places to seventh; Union Planters National Bank, Memphis, also moved up five places to ninth; and First Tennessee Bank NA, Memphis, moved up a notch to 10th place.

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Calif. Closed on Feb. 25, 1983. Deposits of $266.7 million. Assumed by five banks: Central Bank, Oakland; American Asian Bank, San Francisco; Bank of San Pedro, San Pedro; Valley State Bank, Los Angeles; and Bank of Los Angeles, Los Angeles.

8. Newport Harbour National Bank, Newport, Calif. Closed on March 11, 1983. Deposits of $45.1 million. Assumed by Trans American National Bank, Monterey Park, Calif.

9. Pan American National Bank, Union City, N.J. Closed on March 18, 1983. Deposits $33.8 million. Assumed by Hudson United Bank, Union City.

10. Columbia Pacific Bank & Trust Company, Portland, Ore. Closed March 18, 1983. Deposits of $31.5 million. Payoff.

11. Prairie County Bank, Hazen, Ark. Closed on March 25, 1983. Deposits of $12.7 million. Payoff.

12. Bear Creek Valley Bank, Phoenix, Ore. Closed March 25, 1983. Deposits of $11.3 million. Assumed by Valley of the Rogue Bank, Rogue River, Ore.

13. The Ina State Bank, Ina, Ill. Closed April 8, 1983. Deposits of $16.3 million. Assumed by First Bank and Trust Company, Mount Vernon, Ill.

14. Bank of San Marino, San Marino, Calif. Closed April 8, 1983. Deposits of $12.3 million. Assumed by Trans American National Bank, Monterey Park, Calif.

15. Sparta-Sanders State Bank, Sparta, Ky. Closed on April 15, 1983. Deposits of $17.8 million. Payoff.

16. Heritage Bank, Ashland, Ore. Closed April 29, 1983. Deposits of $15 million. Assumed by Valley of the Rogue Bank, Rogue River, Ore.

17. First National Bank of Oak Lawn, Oak Lawn, Ill. Closed April 29, 1983. Deposits of $119.5 million. Assumed by Oak Lawn National Bank, Oak Lawn, a newly-formed bank.

18. Smith County Bank, Carthage, Tenn. Closed May 6, 1983. Deposits of $28.3 million. Assumed by Murfreesboro Bank and Trust Company, Mursfreesboro, Tenn.

19. United Southern Bank of Nashville, Nashville, Tenn. Closed May 27, 1983. Deposits of $100.8 million. Assumed by Union Planters National Bank of Memphis, Memphis, Tenn.

20. City & County Bank of Anderson County, Lake City, Tenn. Closed May 27, 1983. Deposits of $143.5 million. Assumed by Third National Bank in Anderson County, Lake City.

21. City & County Bank of Knox County, Knoxville, Tenn. Closed May 27, 1983. Deposits of $253.5 million. Assumed by Bank of Knoxville, Knoxville.

22. City & County Bank of Roane County, Kingston, Tenn. Closed May 27, 1983. Deposits of $39.6 million. Assumed by Bank of Oak Ridge, Oak Ridge, Tenn.

23. United American Bank in Hamilton County, Chattanooga, Tenn. Closed May 27, 1983. Deposits of $122.6 million. Acquired by Union Planters National Bank of Memphis, Memphis, Tenn.

24. The Commercial Bank of California, Los Angeles, Calif. Closed May 27, 1983. Deposits of $27.2 million. Assumed by First Credit Bank, Blythe, Calif.

25. Community Bank, Hartford, S.D. Closed June 17, 1983. Deposits of $39.5 million. Assumed by Western Bank, Sioux Falls, S.D., a state-chartered bank.

26. Western National Bank of Lovell, Lovell, Wyo. Closed June 30, 1983. Deposits of $19.7 million. Payoff.

27. Mineral Bank of Nevada, Las Vegas, Nev. Closed June 30, 1983. Deposits of $11 million. Payoff.

28. Bank of Niobrara, Niobrara, Neb. Closed July 8, 1983. Deposits of $6.2 million. Assumed by Farmers and Merchants State Bank, Bloomfield, Neb.

29. The First Central Bank of Smithville, Smithville, Tenn. Closed July 8, 1983. Deposits of $18.3 million. Assumed by the City Bank & Trust Company, McMinnville, Tenn.

30. Union National Bank of Chicago, Chicago, Ill. Closed July 8, 1983. Deposits of $23.5 million. Payoff. Deposits transferred to Seaway National Bank, Chicago.

31. First Peoples Bank of Washington

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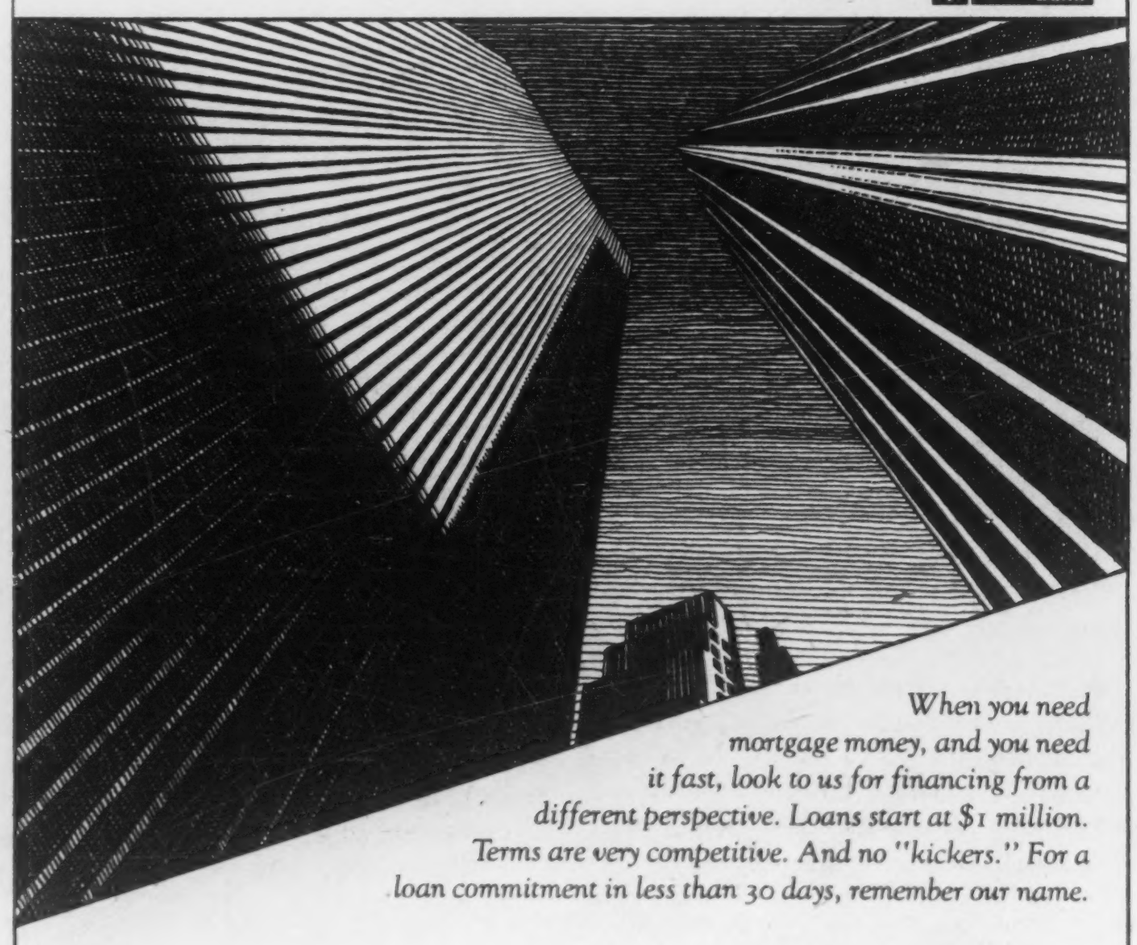

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The Message at Midland: Only the Name Is Changed

Continued from page 1

its old programs as a unit of the $18 billion-asset holding company.

"We are notorious for being good corporate citizens," James D. Berry, chairman of RepublicBank Corp., said at a press conference over the weekend. "We have been criticized for doing too much," he added, "but that does not mean we're going to be an easy touch.

"What we have bought," said Mr. Berry, "is essentially a brand new bank. This is the No. 1 bank charter in Midland, with an unusually strong and loyal base of customers."

The RepublicBank chairman stressed that Thomas Wageman, former chairman and chief executive officer of the failed bank, would remain chairman and chief executive officer of the new bank. When asked what he thought of the new arrangement, Mr. Wageman said, "I love it. I'm here in Midland to stay."

LAST-DITCH EFFORT: During First National's last days, some residents distributed bumper stickers, trying to drum up support for the bank.

Mr. Berry said Mr. Wageman will fit into the RepublicBank Corp. chain of command under Thomas G. Barksdale, a regional chairman and executive vice president. Mr. Barksdale will report to Joseph R. Musolino, vice chairman of the holding company's board of directors, who, in turn, reports to Mr. Berry.

RepublicBank Corp. bankers speaking at the conference, including Mr. Berry and Mr. Wageman, aggressively played down most connections between the bank that closed Friday and the one that opened Monday.

Mr. Wageman was reluctant to discuss the failed First National Bank at the meeting. When asked about First National's final week, he confirmed only that there had been an outflow of funds despite efforts by Midland residents to drum up deposits. He would not give details on how much money was taken out of the bank, however. None of the speakers would comment on possible legal actions arising from the failure of First National.

The bank, where many retirees congregate daily and where some even went to celebrate Christmas, won the loyalty of several residents. During the bank's final days, many pedestrians in downtown Midland sported white stickers proclaiming "I support the First National Bank."

While he admitted that the bank "did get a tremendous outpouring of personal support," Mr. Wageman also said, "You can't be successful without a strong capital base and without customer confidence."

The bank's new owners also attempted to allay fears that the new institution might not continue making energy loans. "Yes, we will be making loans on Monday," said Mr. Berry, adding that the new bank would have a "realistic" approach to making oil-related loans. He pointed out that the oil-producing area under Midland, known as the Permian Basin, accounts for 20% of the hydrocarbon production in the United States and that the energy industry has begun showing signs of a revival.

The only loans among the $632 million in assets were all of First National's consumer installment loans. The Dallas holding company did not acquire about $1.2 billion in commercial loans but has the option of acquiring whichever First National commercial loans meet its credit standards. The Federal Deposit Insurance Corp. will be left with the remainder.

Mr. Berry said RepublicBank will seek to "build and serve the community" and also create an income stream that will help pay for the acquisition.

While observers had predicted that a Texas bank holding company might offer a relatively high price for the Midland bank to foil an out-of-state acquisition, Mr. Berry said the holding company's high bid was purely business.

"We bid high because we wanted to be here," said Mr. Berry. "There is ample opportunity for good, solid loans in the Permian Basin," he said, "and you can't imagine how fortunate you are to be here in the cornerstone, if you know what you're doing."

According to Mr. Berry, 13 other banks bid for First National at meetings with the FDIC last week, including Texas Commerce Bancshares, Mercantile Texas Corp., and several out-of-state bank holding companies.

RepublicBank Corp. has 37 banks. It bought the Texas National Bank of Midland last year and renamed it Republic National Bank Midland. RepublicBank officials said they were unable to give statistics on how large a market share the two banks command in the Midland market. ■

Seafirst Foresees 'Significant' Loss

Special to the American Banker

SEATTLE — Seafirst Corp., parent of Seattle-First National Bank, will report a "significant loss" for the third quarter, chairman Richard P. Cooley said in an interview over the weekend.

But Mr. Cooley said the losses would be "significantly less" than the $158 million the bank holding company lost in the second quarter. The results will be released today or Wednesday, he said.

Mr. Cooley made his remarks to the Seattle Times. His comments were confirmed by a representative at the bank.

Seafirst has lost $291.2 million so far this year, largely from writeoffs on bad energy loans, including $400 million from the failed Penn Square Bank in Oklahoma City. The losses forced Seafirst to seek a partner to provide emergency capital; the company merged with BankAmerica on July 1.

Mr. Cooley suggested that Seafirst could return to profitability next year if the energy business improves, but he noted that "right now, [it] isn't getting any better."

Seafirst has recovered $175 million in deposits from its local consumer and business customers who withdrew money before the merger. But the company will not regain all the $2 billion it lost because it will not try to lure back national money market investors.

Mr. Cooley, who has changed the bank's strategy to concentrate on regional business, said the bank will remain smaller than it was a year ago when assets totaled $10.9 billion. He estimated that assets would be $8.5 billion to $9 billion at the end of the year. ■

Largest Commercial Bank Failures

Here are the largest U.S. commercial bank failures ranked by asset size, according to the Federal Deposit Insurance Corp.

1. Franklin National Bank, New York, N.Y. (National) Closed Oct. 8, 1974. Deposits $1.445 billion. Assets $3.656 billion. Deposit assumption by European American Bank & Trust Co., New York.

2. First National Bank of Midland, Midland, Tex. (National) Closed Oct. 14, 1983. Deposits and other liabilities approximately $620 million. Assets $1.4 billion. Deposit assumption by RepublicBank First National Midland, Midland, Tex.

3. United States National Bank, San Diego, Calif. (National) Closed Oct. 18, 1973. Deposits $932 million. Assets $1.266 billion. Deposit assumption by Crocker National Bank, San Francisco, Calif.

4. United American Bank, Knoxville, Tenn. (Nonmember) Sold to First Tennessee Bank, Knoxville, Feb. 15, 1983. Deposits $794 million. Assets $838 million.

5. Banco Credito y Ahorro Ponceno, Ponce, Puerto Rico. (Nonmember) Closed March 32, 1978. Deposits $608 million. Assets $713 million. Deposit assumption by Banco Popular de Puerto Rico and Banco de Santander-Puerto Rico, both of San Juan, Puerto Rico.

6. Penn Square Bank NA, Oklahoma City, Okla. (National) Closed July 5, 1982. Deposits $470 million. Assets $517 million. Insured deposits assumed by Deposit Insurance National Bank of Oklahoma City.

7. Abilene National Bank, Abilene, Tex. (National) Merged into Mercantile Texas Corp., Dallas, Tex., on Aug. 6, 1982. Deposits $310 million. Assets $446 million.

8. Hamilton National Bank of Chattanooga, Chattanooga, Tenn. (National) Closed Feb. 16, 1976. Deposits $336 million. Assets $412 million. Deposit assumption by First Tennessee National Corp., Chattanooga, Tenn.

9. American City Bank, Los Angeles, Calif. (Nonmember) Closed Feb. 27, 1983. Deposits $253 million. Assets $272 million. Deposit assumption by a consortium of five banks headed by Central Bank, Oakland, Calif.

10. Metropolitan Bank and Trust Co., Tampa, Fla. (State member) Closed Feb. 12, 1982. Deposits $172 million. Assets $261 million. Deposit assumption by Great American Bank of Tampa, Tampa.

11. City and County Bank of Knox County, Knoxville, Tenn. (Nonmember) Closed May 27, 1983. Deposits $227 million. Assets $244 million. Acquired by Bank of Knoxville, a subsidiary of Third National Corp., Nashville, Tenn.

12. The Drovers' National Bank of Chicago, Chicago, Ill. (National) Closed Jan. 29, 1978. Deposits $197 million. Assets $227 million. Deposit assumption by Drovers Banks of Chicago, Chicago.

13. First Peoples Bank of Washington County, Johnson City, Tenn. (Nonmember) Closed July 29, 1983. Deposits $176 million. Assets $176 million. Deposit assumption by First American National Bank-Eastern, Kingsport, Tenn.

14. Banco Economias, San German, Puerto Rico. (Nonmember) Closed Sept. 2, 1977. Deposits $170 million. Assets $190 million. Deposit assumption by Banco Central, Madrid, Spain. ■

Failures . . .

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County, Johnson City, Tenn. Closed July 29, 1983. Deposits of $176.3 million. Assumed by First American National Bank-Eastern, Kingsport, Tenn.

32. Metro Bank, Midland, Tex. Closed July 29, 1983. Deposits $29.9 million assumed by Mid-Cities National Bank, Midland. A newly-chartered bank.

33. Oregon Mutual Savings Bank, Portland, Ore. Merged on August 5, 1983, with FDIC assistance of $11,850,000, into Moore Financial Group, Inc., Boise, Idaho. Oregon Mutual Savings Bank had assets of $260 million.

34. The First National Bank of Danvers, Danvers, Ill. closed Aug. 5, 1983. Deposits of $11 million. Assumed by First State Bank of Danvers, Danvers, a newly-chartered state bank.

35. First Commerce Bank of Hawkins County, Rogersville, Tenn. closed Aug. 12, 1983. Deposits of $45.5 million. Assumed by Hamilton Bank of Johnston City, Johnston City, Tenn.

36. United Southern Bank of Clarksville, Clarksville, Tenn. Closed Aug. 26, 1983. Deposits $10.5 million. Assumed by First American Bank of Nashville NA, Nashville, Tenn.

37. The Douglass State Bank, Kansas City, Kan. Closed Sept. 3, 1983. Deposits of $26.2 million. Assumed by the Douglass Bank, Kansas City, a subsidiary of Douglass Bancorp Inc., a newly-formed holding company.

38. Warren County Bank, McMinnville, Tenn. Closed Sept. 16, 1983. Deposits of $18.8 million. Assumed by Murfreesboro Bank & Trust Co., Mursfreesboro, Tenn.

39. The Dominion Bank of Denver, Denver, Colo. Closed Sept. 30, 1983. Deposits of $12.7 million. Assumed by Central Bank at Stapleton NA, Denver.

40. National Bank of Odessa, Odessa, Tex. Closed Sept. 30, 1983. Deposits of $81.8 million. Assumed by First State Bank of Odessa NA, a new national bank subsidiary of Independent Bankshares Inc., Abilene, Tex.

41. Auburn Savings Bank, Auburn, N.Y. Merged in Oct. 1, 1983, with FDIC assistance into Syracuse Savings Bank, Syracuse, N.Y. Auburn Savings Bank had assets of approximately $330 million.

42. The Deschutes Bank, Redmond, Ore. Closed Oct. 7, 1983. Deposits of $10 million. Assumed by United States National Bank of Oregon, Portland, Ore.

43. First National Bank of Midland, Midland, Tex. Closed Oct. 14, 1983. Deposits and other liabilities of approximately $620 million. Assumed by RepublicBank First National Midland, Midland, Tex., a newly formed subsidiary of RepublicBank Corp., Dallas.

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Omaha Bank To Have 2-State Card Operation

By RICHARD RINGER

CHICAGO — The First National Bank of Omaha will soon be conducting its credit card business from two states that have no usury restrictions.

The states are Nebraska, where First National began its credit card business years ago and has grown to become the largest credit card issuer in the state, and South Dakota.

First National, which has about 750,000 accounts, got tentative approval last week from the South Dakota Banking Commission to process card accounts from a bank in Yankton, S.D. Final approval could come as early as this week.

The Yankton bank, the $33 million-asset Valley State Bank, is being purchased by First National's parent company, First National of Nebraska Inc.

As of now, First National's plan is to direct any expansion of its Visa and MasterCard business to South Dakota while keeping its existing processing center in Omaha.

First National was initially attracted to South Dakota as a site for its credit card operations because of the state's liberal usury laws. Interest rate ceilings in that state were eliminated several years ago.

In addition, Yankton, just across the South Dakota-Nebraska border, is relatively close to Omaha. Yankton is "a driver and a nine iron" to Omaha, said

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The Back Page

BACK PAGE

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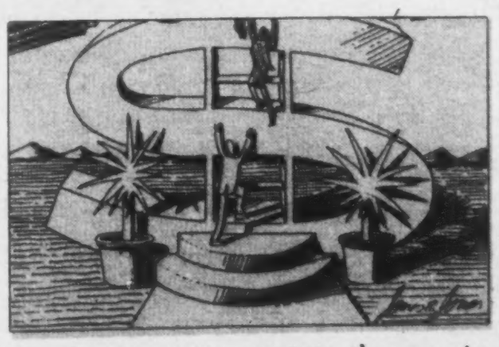
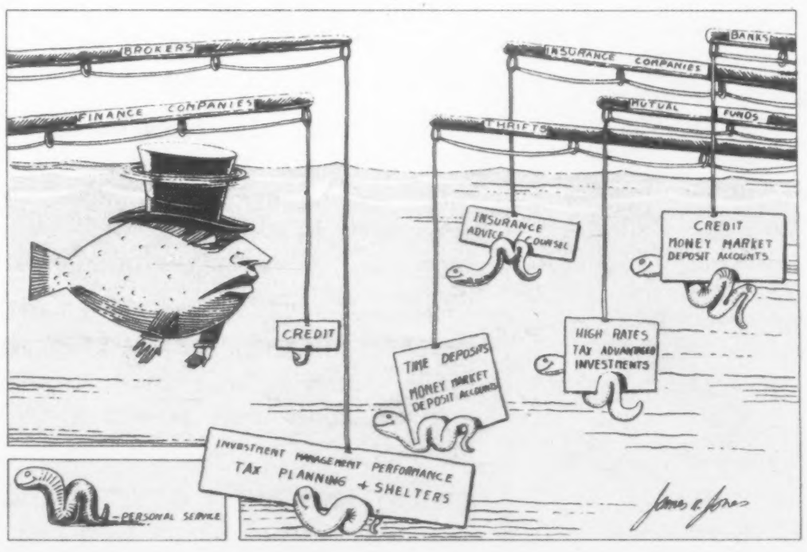
Marketing to The Affluent



This feature section reviews the ways in which different financial services institutions — here and abroad — target their services to the wealthy. See page....13

Competitors of Banks Target the Affluent

American Banker Survey Finds Them Copying Banks' Segmentation Tactics



By LAURA GROSS

Financial institutions outside the banking industry are beginning to employ some of the same sophisticated marketing strategies pioneered by banks to lure retail customers, a new American Banker survey finds.

These strategies are aimed at reaching specific types of consumers and designing special products to meet their needs. Previously, most stock brokerage, insurance, and mutual fund firms used a broad-based approach to the consumer market and did not employ such segmentation tactics.

Propelling them to hone in on what bankers call target markets is heightened competition from banking companies, along with the need to handle some of the same problems bankers have faced: providing more personal service to lower income individuals and still making a profit — especially

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For the Giants, the Third Quarter Was a Real Loser

By BART FRAUST

NEW YORK — For the nation's largest banking companies, the third quarter was not one for the highlight films.

Whether the perspective is that of the top earners or that of the large asset holders, such factors as weak loan demand, loan-quality problems, and poor trading profits made the last quarter a dud.

"If there was one major trend in the quarterly results," said Ronald Mandle, an analyst at Paine Webber Mitchell Hutchins Inc., "it was the lack of asset growth."

Mr. Mandle added that Paine Webber expects commercial loan demand to rebound in 1984, particularly in the second half.

William Weiant, an analyst at First Boston Corp., said the results were basically in line with what he had expected, with the large earnings gains coming from such southeastern regional companies as Barnett Banks Inc. of Jacksonville, Fla., and Wacho Corp. of Winston-Salem, N.C.

Frank Barkocy, who covers regional banking firms for Merrill Lynch, Pierce, Fenner & Smith Inc., is looking for a "firming trend in the fourth quarter that will provide a good foundation for 1984."

Total earnings for the 10 banks reporting the highest net incomes were up just 1.8% over the same period in 1982. This compares with a 50% advance in the second quarter of 1983 versus the second quarter of 1982.

But among the 10 largest banks in terms of assets, earnings declined 1.5% in the third quarter. And for the 15 biggest banks in terms of assets, net income fell a whopping 41.8%.

The largest contributor to that decline was No. 15, InterFirst Corp. of Dallas. The energy lender lost $194 million, for the largest quarterly deficit in banking history.

InterFirst was the only bank among the top 15 to show a loss, but there were some big declines.

Continental Illinois Corp., for example, had a 39.1% drop. Its chairman, Roger E. Anderson, attributed the drop to weak loan volume, the continued

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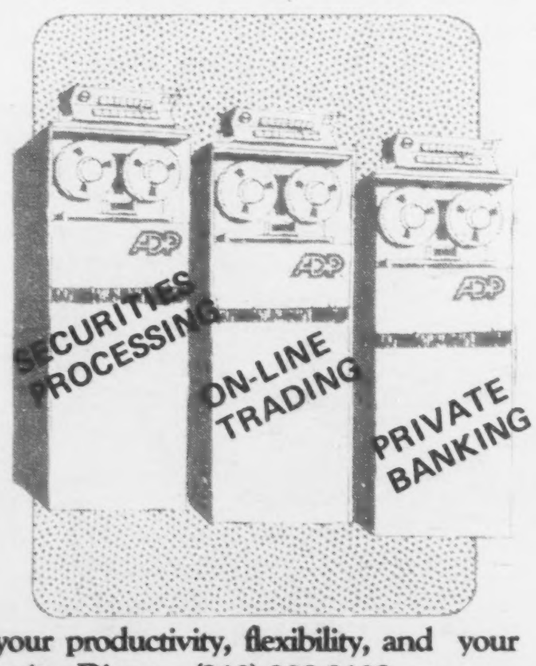

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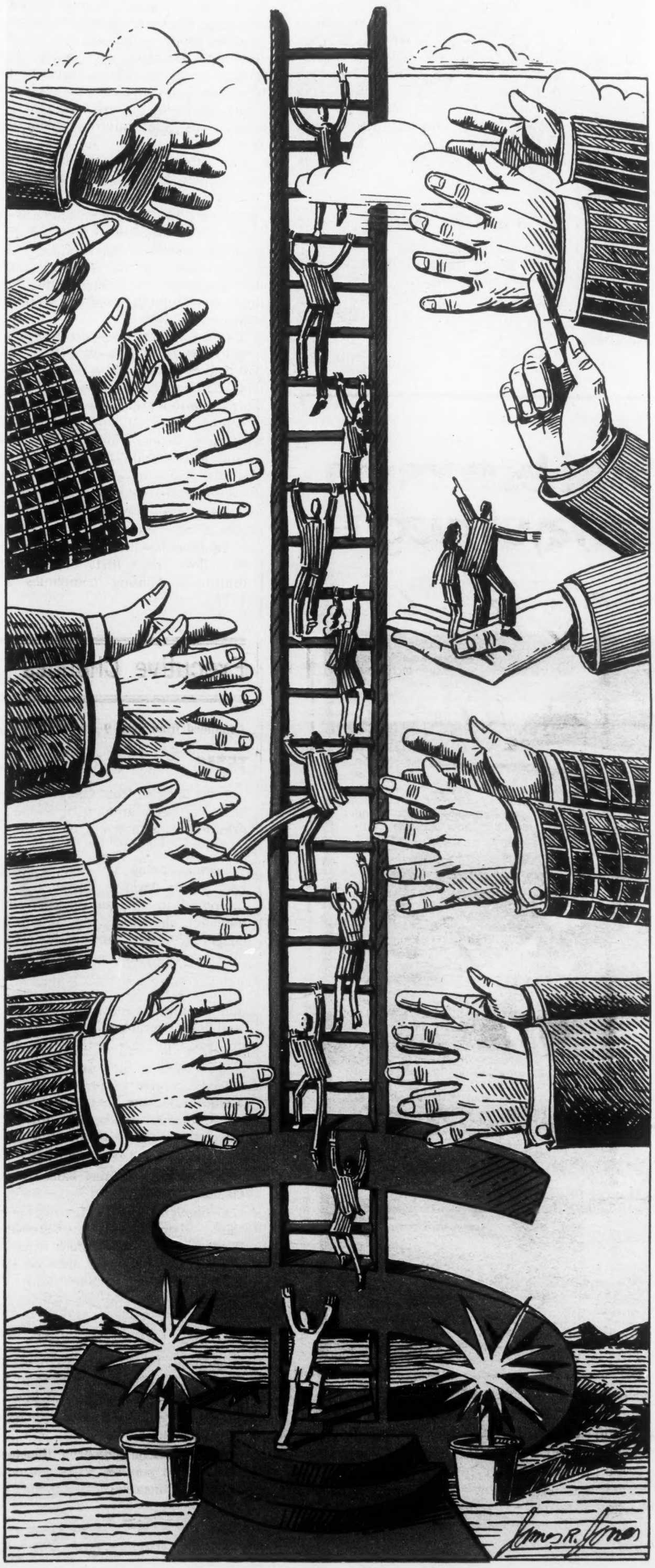
MARKETING TO THE AFFLUENT



A Look At All The Players

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Nonbank Competitors Begin Copying Bank Strategies

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for insurers, and for mutual fund managers, preventing the affluent or preferred customer from waiting on lines, even if that only occurs over the telephone.

Today's progressive insurers and mutual fund managers have begun more closely examining the financial services habits of their customers and, as a result, have come up with financial planning or product expansion strategies they hope will retain preferred customers and lure new ones.

In the case of the stockbrokers, which have long focused on the affluent market, this new bent toward market segmentation has created an emphasis on reaching the less affluent consumer. The brokers' goal in moving downscale is to entice these potentially affluent individuals into full-service securities trading before the banks can cement discount brokerage relationships with them.

These developments have come to light as part of research American Banker has undertaken in publishing today a new survey which attempts, for the first time, to show what the wide array of different financial services intermediaries are doing to reach the affluent.

This year's Marketing to the Affluent Survey expands on two previous examinations American Banker has done of how commercial banks market to the affluent. Today's report stems from research done on the 140 largest providers of financial services in the nation, including the 20 largest banks, stockbrokers, property/casualty insurers, life insurers, mutual fund firms, thrift institutions and finance companies. The survey was also sent to a sample of 20 smaller and 20 medium-sized regional banks to see the extent to which these institutions target the affluent market.

American Banker found that all of the 15 largest banks responding to the survey market separately to the affluent. All 15 offer separate facilities to their affluent target markets and many have in place programs in their branch systems to identify potentially affluent individuals by the size of deposit balances they keep. Once identified, these individuals can be preferentially treated at a branch level until they are ready for the Oriental carpets and Tiffany glass commonly found in private banking facilities for the more affluent.

The 'Sloggy Beasts' Awake

Conversely, only four of the 15 insurers which filled out questionnaires said that they market separately to the affluent, and only seven have special programs that would appeal to affluent individuals. Six other insurers said they have nothing at all in place to deal differentially with that market.

There are some large insurance companies, notably CIGNA Corp's Connecticut General Life Insurance Co., which have always targeted a more affluent customer. But in large part, the majority of the property and casualty and life insurance industries are "where the banks were about 10 years ago in terms of market segmentation expertise and target marketing," confirmed one executive at a large multiline insurance firm.

The insurance industry, slurred by one banker as "a bunch of sloggy beasts," is today struggling mightily against its own traditional complacency in order to move from a purely sales-oriented industry to a marketing-oriented one where the focus is less on selling more of the same product and more on designing programs to fulfill consumer desires.

But in addition to an historic conservativism, insurance companies face two further roadblocks in their quest to offer different kinds of service to different consumers: their distribution system, primarily independent agents, who may make perfectly good insurance salesmen but not-so-perfect investment advisers, and a traditional focus on the middle market, their basic bread and butter, without which they might starve.

Even as recently as last year, the average life insurance policy sold in America was for $42,170 to an average individual with a yearly income of $19,690.

There has been a great deal of talk for many years at insurance industry conventions about trying to provide more personal service and products to the prospect earning, say, $75,000 a year and less to the $25,000-a-year customer, according to Walt Zultowski, assistant vice president, research, for the Life Insurance Marketing and Research Association in Hartford.

But research tells Mr. Zultowski and association members that middle market customers love personal service. They also love the banks, which is why Mr. Zultowski thinks joint ventures between banks and insurance agents or companies make a great deal of sense.

The kinds of programs, such as those offered to banks by ITT Life Insurance Co. and Nationwide Insurance where agents are located in bank lobbies seem a natural fit to Mr. Zultowski. They provide personal contact with consumers but on a more cost-effective basis than the traditional method of selling insurance because the banks provide a captive customer base.

An additional roadblock obstructing the insurance companies which operate through the more than 20,000 independent agents in the country is that the majority have traditionally viewed these agents as their primary market. The cost of a dual-tiered marketing system, first to agents, and then, through them, to the general public is a drain which has many insurers in a constant quandary. Certainly, the growth of direct writers which use direct mail, telephones, and their own agents, is a testimony to the difficulty of operating an insurance business in the traditional manner.

"Insurance companies in the aggregate are not nearly as far along as even identifying the consumer as their market, much less segmenting it into affluent and nonaffluent and thinking like financial services organizations," noted one insurance company executive.

Travelers' Strategy

Because they must titillate the independent agents into selling their products over those of other insurers',

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Almost Half of Largest Financial Firms Want Affluent

Marketing to the Affluent Survey Reports 42% Identify Wealthy Consumers as a Profitable Business

By LAURA GROSS

At least 42% of the nation's 140 largest providers of consumer financial services identify the affluent as a profitable business opportunity.

Each company may go after the business of the wealthy differently, and each may define affluence differently, but they agree on one thing by a margin of more than four to one: The business they do with affluent individuals is significantly more profitable than their other retail business.

These are two of the findings of the Marketing to the Affluent Survey conducted by American Banker to determine how different financial services companies market to the affluent. This is the first time American Banker has undertaken such a survey to determine nonbank strategies in the affluent market.

Included in the survey were the nation's 140 largest banks, property/casualty and life insurance companies, brokerage houses, mutual fund groups, thrift institutions, and finance companies. Questionnaires were sent last August to the 20 largest in each category as well as to a sample of 20 smaller and 20 medium-sized regional banks to determine the extent to which these institutions market to the affluent.

This section was edited by Laura Gross, Associate Editor, who designed and administered the Marketing to the Affluent Survey. Philip Sudo assisted with the research and production of this section. ■

Marketing to the Affluent, a new American Banker survey, looks for the first time at how all of the competitors identify and handle the affluent consumer.

A total of 102 responses were received. Sixty-nine participants filled out questionnaires. The remainder responded by mail or by telephone, eight saying that they market to the affluent but did not fill out questionnaires, five saying that they were planning or considering marketing to the affluent, and 20 saying that they do not market to the affluent.

Seventy-seven companies, or three-fourths of those who responded, said they identify the affluent as a market segment they want to do business with. In this group were 59, or 42%, of the 140 largest providers of financial services in the nation, and 18, or 45%, of the 40 small and medium-sized regionals surveyed.

Additionally, 84% of those responding to a question about the profitability of affluent marketing efforts said the business they do with the affluent is significantly more profitable than their other retail business.

Furthermore, most of the companies that would provide data said their deposits, investments, or insurance premiums from the affluent and their loans to the affluent have increased in the past year.

A small group of businesses said they do not make any special effort to attract the affluent. This group included six of the 40 largest U.S. life and property/casualty insurance companies, six small regional banks, five mutual fund groups, and three finance companies. Their reasons were similar: The affluent are not their primary market, and it would cost too much to build a special product line just for them. Most of these firms said they have a broad middle-market strategy when it comes to consumer business.

An additional three insurers, two mutual fund groups, and three finance companies — not included in the total responses listed above — said they have not chosen the affluent as a target market because they are wholesalers who have never done a consumer business and do not intend to begin now.

These findings lend support to the projections made by the Hudson Institute in its 1982 report, "The Future of the Financial Services Industry," which hypothesized the manner in which financial services delivery systems and products will evolve in this country.

One thesis set forth in the Hudson report is that networking, or the growth of new linkages between different providers of financial services, will be the most important force at work in this industry as it continues to change.

This thesis reinforces Hudson's contention "that you will not see an emergence of only large, one-stop shopping centers for consumers," as J.W. Wheeler, senior economist for Hudson, explained recently. "The U.S. market is so diverse that the room for variety and specialization is incredible."

A majority of the banks, thrifts, brokers, and finance companies who responded (but not insurers and mutual fund managers) said they market separately to affluent consumers. The largest percentage said they most frequently use personal calls as a marketing tool to reach this segment. Almost as many said they use direct mail, in most cases along with personal calls, followed closely by newsletters, upscale magazines, and print media.

More banking companies appear to be using newspapers to reach the affluent this year than indicated in last year's survey. They are advertising products such as cash management-type accounts, however, which by their nature appeal to the affluent. There still appears to be a high level of caution in regard to marketing special facilities to wealthy individuals in media viewed by the general public.

A smaller number of companies mentioned that they use telemarketing — marketing via telephone and radio (primarily classical-format stations) to reach the affluent. Several of the larger competitors in each category — primarily brokers and the large banks that deal only with the affluent — said they use television advertising.

Asked which criteria were the most important in helping to identify affluent consumers, most

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NOTE

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